

**MEMORANDUM**

To: CMAP Board

From: CMAP Staff

Date: March 7, 2012

Re: Agency Priorities for State and Local Tax Policy

At the Board's February meeting, CMAP staff presented an overview of the Regional Tax Policy Task Force process, key issues, and recommendations. The CMAP Board is not being asked, nor will be asked, to approve the final report of the Task Force as written. Rather, the report should be viewed as advice for the Board, which can choose specific items to pursue further.

Based on the report's recommendations and the discussion at the February meeting, staff has drafted an initial set of near term agency priorities for the Board's consideration. This reflects staff's perspective on how the agency can add the most value and help build regional consensus on matters of tax policy over the next year. These do not represent value judgments about the importance of certain issues relative to others, nor are they meant to suggest a dismissal of any of the issues and recommendations covered in the report.

With the consent of the Board, these items will be integrated into the FY 2013 agency work plan, which will be approved in full by the Board at their June meeting.

Monitor and React to State Legislation Regarding Tax Policy

The Task Force report addresses a number of high priority issues, including high tax rates, the narrow tax base, and the varying criteria used to disburse different tax revenues to local governments. Many of these issues have been analyzed in detail by CMAP and other entities. These are also issues that typically emerge in different forms throughout the state legislative process. The Task Force report makes clear that the details of these proposals matter greatly. An idea, such as broadening the tax base, may be a sound principle, but it still matters how it is broadened and how the resources should be allocated.

Staff recommends that CMAP become more active in reviewing these types of tax policy bills and offer support or opposition, when applicable, to specific items. When reviewing legislation, CMAP should be supporting tax policies that are in the best interests of the region as a whole,

as well as the governments that are an integral part of the region and the residents and businesses that pay the taxes.

CMAP Resources Necessary to fulfill this Priority:

Existing Policy and Legislative Staff will fulfill this priority under the Legislative Monitoring project.

Timeline:

Ongoing effort, to begin in FY 2012, in alignment with CMAP's monitoring of state legislative activity.

Pursue a Source of Regional Funding for Capital Improvements

The Task Force report recommends that Northeastern Illinois should follow the lead of other regions around the country that are pursuing and utilizing regional revenue sources for regional needs, namely capital investments for transportation infrastructure projects. As the Board is aware, the GO TO 2040 plan emphasizes the modernization of existing transportation infrastructure and includes a very short list of fiscally constrained major capital projects. As federal and state gas taxes continue to lose purchasing power, it is important for the region to pursue dedicated sources of locally sourced funding to provide for these regional needs.

To pursue this goal, staff recommends further analysis of potential non-federal or state revenues to be derived from the imposition of new user fees or other efficient forms of taxation that capture the incremental value created by infrastructure improvements. A menu of options should be prepared, along with the benefits and costs of each approach. Both region-wide and sub-regional/corridor approaches should be analyzed as part of this project. Specific recommendations should be offered, and the CMAP Board may wish to pursue a particular funding avenue, if necessary, via state legislation.

CMAP Resources Necessary to fulfill this Priority:

This will be a new project in the FY 2013 CMAP work plan (scoping to begin in FY 2012). Staff will deliver a report to the CMAP Board with a menu of options analyzing potential revenue sources, policy and legislative considerations, fiscal and economic impacts, and the relationship (if applicable) to specific modernization or major capital projects identified in GO TO 2040.

Timeline:

Deliver report in FY 2013.

Analyze the Impact of State and Local Tax Rebates and Other Economic Development Incentives

The Task Force report recommends that CMAP analyze how sales tax rebates affect development and land use decisions, and support policies that enhance transparency in these rebate agreements. This recommendation emerged from the Task Force's lengthy discussion about the local incentives at play in the attraction of large tax generating establishments. While the Task Force focused specifically on sales tax rebates, the state and some local governments historically have utilized a range of other abatements and economic development incentives, including TIF and enterprise zones, to spur economic development.

Staff recommends that CMAP conduct a detailed study on how and where these tools have been used and the impact of the tools on local and regional economic development.

CMAP Resources Necessary to fulfill this Priority:

This will be a new project in the FY 2013 CMAP work plan (scoping to begin in FY 2012.) For this project, staff recommends procuring the assistance of an outside firm, utilizing existing contract funds awarded in the FY 2012 UWP/IDOT process, to conduct some of the data collection and perform a range of different analyses on the impact of different state and local incentive tools.

Timeline:

Deliver report in FY 2013.

Continue to Analyze and Explain the Fiscal and Local/Regional Economic Impacts of Local Development Decisions

The Task Force report includes data and information about the fiscal impacts of different development decisions. During the GO TO 2040 plan process, CMAP also analyzed the regional economic and jobs impacts of these different development decisions. It is important for the region to have the best information possible about how our fiscal policies drive land use decisions as well as the resulting impacts on the regional economy, jobs, and principles of livability as addressed in GO TO 2040.

Staff recommends that the local and regional impacts of these decisions should be analyzed in more detail. Analysis should be regional in scale and include specific information and cooperation from local municipalities.

Staff Resources Necessary to fulfill this Priority:

This will be a new project in the FY 2013 work plan (scoping to begin in FY 2012.) For this project, staff recommends procuring the assistance of an outside firm, utilizing existing contract funds awarded in the FY 2012 UWP/IDOT process, to conduct data collection and analysis of impacts. An important component to this process will involve a contribution from municipal finance officials, who can help provide data, information and more detailed background on both the revenue and expenditure side of land use decisions. For this part of the project scope, a range of municipal finance experts will be sought from different types of communities from throughout the region.

Timeline:

Deliver report in FY 2013.

ACTION REQUESTED: Discussion

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